

# Realty Trust Review

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## INVESTMENT OUTLOOK AND STATISTICAL ISSUE

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## INVESTMENT OUTLOOK: COPING WITH THE DECEPTIVE PART OF THE REIT RECOVERY AHEAD

The toughest part of the REIT recovery lies ahead. It is also potentially the most deceptive phase for investors, because subtle nuances of management skill and organization will count for more on the bottom line than they have until now.

The easy part is now largely behind, a time in which income properties were built out and either rented or sold to provide some earning power. Once projects of this type are conceived and under construction, their execution and management can largely be handled by the "numbers men" found so frequently in both bank and REIT staffs. Such projects may not be super winners under such management but chances are they won't be bleeding ulcers, either. Of course trusts will vary widely in their success with income properties, depending upon whether they've stressed standard income properties -- apartments, shopping centers, office buildings, etc. -- or less-standard types like motels, hospitals, racetracks, childcare centers, etc.

Signs of recovery in completed properties abound. Last week New York Telephone joined with Teachers Insurance & Annuity Assn. and College Retirement Equities Fund to buy the 1.4 million sf office tower at 1166 Avenue of the Americas in Manhattan, a disaster that had stood vacant over three years. No REITs are involved directly but this is one of Audit Investment's "leading indicator" problem properties. Another leading indicator problem, 1.2 million sf Blue Hill complex outside New York City,

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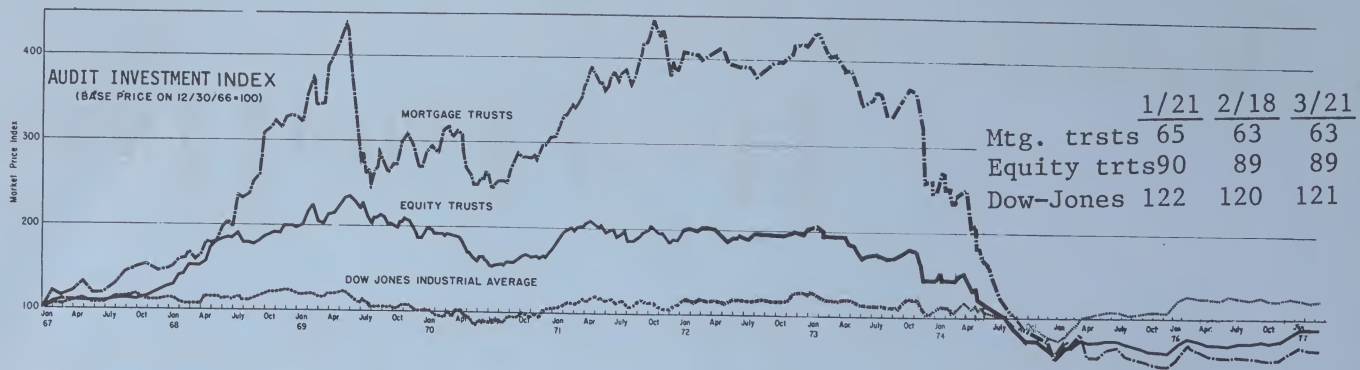
*REAL ESTATE DISCLOSURE DIGEST's March 18 issue provides shopping center buying insights from Corporate PROPERTY Investors' Jerry O'Connor; Homewood Corp. and Shapell Indus. current operations and plans.*

*DISCLOSURE REPORTS ON PROBLEM PROPERTIES' March 18 issue covers problem properties of Atico Mortgage Investors, Barnes Mortgage Trust, Builders Investment Group, Realty & Mtg. Inv. of the Pacific, and Mission Inv. Trust. Single copies: \$9 prepaid*

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leased 81,000 sf to a local utility last week, bringing occupancy to 15%. Colwell Mtg. and Sutro Mtg. both have \$4 million participations in the \$30 million foreclosure.

Neither project is out of the woods but activity like this is swinging the recovery focus to land, where the tough job lies ahead. The large and troubled construction mortgage trusts hold about \$2.2 billion land, the vast majority of which has now been foreclosed. Smaller trusts probably add another \$300 million, so the industry controls or holds mortgages on about \$2½ billion of land. No one knows the exact composition of that land, although we believe about one-third is developed urban land for primary use, one-third is undeveloped urban land, and one-third is developed or undeveloped non-urban land for secondary use, mainly resort and recreational communities.

Moving this land will take determined marketing efforts or, alternatively, development of the land in-house or in joint ventures. Construction financing of about \$10 billion will have to be found. Some trusts are poorly staffed and organized for such a task. Many haven't kept current on local zoning and use regulation changes affecting their properties. Right now large land holdings are a drag for most trusts because the land is unproductive and the market thin to non-existent most places. But the pendulum is swinging quickly in favor of trusts with agility and ability to take advantage of changed markets. In coming issues we'll be looking closely at many troubled trusts to see if they can handle this changed situation.

Much is going to depend upon whether troubled REITs can make long-term peace with their banks so they can spend less time negotiating with banks and more time dealing with property problems. And it's here that some very hard decisions must be made by banks in coming months.

Some REIT managers, hard-pressed to meet repayment schedules for bank debt, are saying that banks will have to provide long-term, patient, equity capital to help restore earning viability. "The first thing is to get earning power, then repay debt," says one manager. "We aren't going to liquidate these trusts just to repay the banks." Other REIT managers say banks are going to have to give a lot more than they've given until now. "The decisions to reduce interest were relatively easy," says one. "Now the banks will have to face the prospect of converting some debt into long-term capital--and that may be the toughest decisions they have to make." Seen in this context, banks and REITs apparently are in for some hard bargaining in months ahead, with no debt extension taken for granted. Examples:

--Citizens & Southern Realty shares were halted by the NYSE when some banks refused to extend a waiver on a clause requiring the trust to maintain positive net worth. Shares last traded on the NYSE at 1¼, are now quoted 3/8 bid OTC. The trust adjourned its annual meeting to April 8; shareholders are being asked to authorize issuing enough shares--100 million shares at recent prices--to permit exercise of 300,000 variable price warrants next October.

--Guardian Mortgage trading was halted in a snag over debt reduction. GMI's 7½s of 1979 slumped from 42 to 26 as margin holders dumped--a buying opportunity.

--IDS Realty refused to deliver collateral to banks March 17 and is now in default. It's talking, trying to get banks to take early payout at a discount.



## DIVIDEND TRENDS: MILLER RESUMES AS MARCH DECLARATIONS ARE FIRM

March declarations exhibited broad stability. Two payouts were up from the previous quarter. Henry Miller Realty resumed payment after a 15 month lapse as it believes earnings have recovered to sustainable levels and MassMutual Mortgage raised 2¢. Its earnings rose from the improved return on the foreclosed portfolio. Even the lone reduction by Realty & Mortgage Pacific did not reflect an operating decline but rather the prior quarter's inflation by loan prepayment. The cadre of current payers, however, remains heavily equity oriented- 8 of the 17 while 6 are long-term trusts. Only 3 are short-term construction lenders.

	Up	Same	Down	Total	%Change
March	2	14	1	17	+4%
Year	6	30	3	39	--

-----From previous year-----

March	7	9	1	17	+7%
Year	17	18	4	39	--

Trust	Record date	--Dividend/share-- Latest	Previous	--Net change-- Amt.	Percent	Year Ago	% Change
Consolidated Cap.Rlty.	3/17	\$0.1684M	\$0.1684	\$ --	NC	\$0.1667	+1
Continental Ill. Prop.	4/4	0.32	0.32	--	NC	0.32	NC
Denver REIA	3/15	0.15	0.15	--	NC	0.15	NC
First Cont'l REIT	3/31	0.22	0.22	--	NC	0.16	+38
First Union RE	4/15	0.25	0.25	--	NC	0.24	+4
Florida Gulf Rlty.	3/7	0.32	0.32	--	NC	0.32	NC
Fraser Mtg.	4/1	0.25	0.25	--	NC	0.25	NC
GREIT Realty	4/15	0.10	0.10	--	NC	0.10	NC
General Growth Prop.	4/1	0.35	0.35	--	NC	0.33	+6
Hospital Mtg.	4/15	0.15	0.15	--	NC	0.15	NC
Hubbard REI	3/23	0.30	0.30	--	NC	0.30	NC
M&T Mortgage	3/25	0.26	0.26	--	NC	0.26	NC
MassMutual Mtg. & Rlty.	3/21	0.29	0.27	+0.02	+7	0.28	+4
Miller (Henry) Rlty.	2/28	0.15	0.00	+0.15	--	0.00	--
MONY Mortgage	3/31	0.23	0.23	--	NC	0.20	+15
Mortgage Growth	4/1	0.12	0.12	--	NC	0.12	NC
New Plan Realty	3/15	0.075M	0.075	--	NC	0.07	+7
Rlty. & Mtg./Pacific	3/31	0.28	0.29	-0.01	-3	0.36	-22
United Realty	3/31	0.18	0.18	--	NC	0.13	+38
						+0.27	Extra
TOTALS (17 Trusts)b		\$3.92	\$3.76	\$+0.16	+4	\$3.67	+7

b-Excludes monthly and special dividends. NC-No change. M-Monthly. Trusts with dividends reduced from previous quarter underlined.

## COMPARATIVE TRUST GROUP AVERAGES 03/23/77

GROUP	SHARE N (000)	BOOK VALUE	ANN DIV*	EARN ANN*	LAST PRICE	% CHG FROM-- PCN AGO	JAN 1	P/F RATIO	ANN* YIELD	% PR TC PK	RETURNS CN PK	MARKET VALUE
EQUITY TRUSTS	20	2050	11.78	0.80	0.54	10.98	0.4	4.2	11.7	7.3	8.0	557.7
EQUITY AND MORTGAGE COMB	22	1658	9.40	0.33	0.52	5.94	2.8	10.1	11.4	5.6	5.6	201.0
SUBORDINATED LAND TRUSTS	3	2689	11.73	0.40	0.58	6.54	-3.7	-11.3	11.2	6.1	5.0	48.3
AVERAGE 3 EQUITY GROUPS	45	1901	10.61	0.55	0.71	8.22	1.0	5.2	11.6	6.6	6.7	806.9
SHORT-TERM MTG-INDPENCEFAT	17	3764	0.36	0.00	0.46	1.18	1.7	5.5	2.6	0.0	126.8	45.3
SHORT-TERM MTG-MTG BANKER	17	2075	7.89	0.28	0.32	4.66	-0.2	1.1	14.3	6.0	4.1	174.5
SHORT-TERM MTG-COMC1 BANK	17	2314	3.01	0.03	0.55	2.61	6.8	7.0	4.4	1.1	19.6	111.1
SHORT-TERM-MISC FINCI	8	2381	5.10	0.02	0.65	2.71	3.2	-3.9	4.1	0.7	12.8	42.5
AVERAGE 4 SHORT-TERM GROUPS	59	2672	3.94	0.09	0.48	2.80	2.2	2.4	5.8	3.2	12.3	373.5
INTERMEDIATE-TERM MORTGAGES	6	3345	5.75	0.37	2.87	4.40	7.1	2.1	1.5	8.5	49.9	50.2
LONG-TERM MTG & EQUITIES	22	2926	11.84	0.49	0.45	7.24	1.9	1.2	14.7	6.8	4.1	611.1
AVERAGE LONG & INTERMEDIATE	28	3016	10.53	0.47	1.00	6.63	2.6	1.3	6.6	7.0	9.5	661.3
OVERALL AVERAGE	132	2482	7.61	0.33	0.67	5.46	1.7	3.6	8.1	6.0	8.8	1841.7

DOW-JONES INDUSTRIAL AVERAGE

95.81 953.54 +1.6 -5.1 10.0 4.4 Latest quarter annualized

## STRAIGHT BONDS

Issuer & Desc.	Ex.	Int.	Mat.	Mil.\$	Price	Change	Yield
Alison Mtg.-b	OC	8.75%	'79	\$ 7.0	\$43.00	+ 8%	20%
Atico Mtg.-c#	NY	6.75	'82	16.9	61.75	+ 6	11
BT Mtg. Inv.-c	OC	5.75	'82	20.0	51.00	+ 19	11
Barnett Mtg.-c#	OC	6.75	'91	17.3	20.00	+ 5	34
Barnett Mtg.-cd	OC	8.50	'98	30.0	30.00	+ 3	28
Barnett-Win.-ce	OC	8.25	'98	30.0	36.00	+ 13	23
Cabot C&F Land-c	NY	8.50	'81	23.0	63.00	+ 2	13
Chase Man. Tr.-a	NY	7.88	'78	50.0	81.75	- 7	10
Chase Man. Tr.-c	NY	7.50	'83	60.0	58.50	- 15	13
Cit. & So. Rlty.-c#	OC	6.75	'78	30.0	20.00	- 26	34
Cit. Mtg. Inv.-b	OC	8.50	'80	20.0	23.50	- 2	36
Colwell Mtg.-b	NYx	8.20	'80	25.0	28.00	- 12	29
Cont. Ill. Rl.-b	NY	7.63	'79	25.0	80.00	+ 10	10
Cousins M&E-c	NY	6.50	'82	30.0	42.00	- 2	15
First Mtg.-a	OC	6.75	'82	12.6	30.00	+ 20	23
First Mtg.-a	OC	8.25	'77	23.5	50.00	- 4	17
First Mtg.-a	OC	8-12f	'80	20.0	38.00	- 0	21
First Virg.-b	OC	7.55	'79	25.0	10.00	- 15	76
Great Amer.Mtg.-b	OC	8.75	'83	25.0	10.00	+ 11	88
Great Amer.Mtg.-c	OC	7.50	'79	25.0	29.00	- 35	26
Guardian Mtg.-b	NYx	6.75	'86	8.6	24.00	- 37	28
Guardian Mtg.-c#	ASx	6.75	'86	20.0	74.75	+ 2	10
Gulf Mtg.&Rl.-c#	AS	7.70	'80	179.8	15-25	- 0	NC
IDS Realty-h	OC	--	--				

## STRAIGHT BONDS

Issuer & Desc.	Ex.	Int.	Mat.	Mil.\$	Price	Change	Yield
Insti. Inv.-b	NY	7.88	'80	\$20.0	\$70.00	+ 2%	11%
Justice Mtg.-b	OC	7.75	'79	12.6	32.00	- 3	24
LMI Investors-c	NYx	6.75	'82	10.0	38.00	+ 3	18
Midland Mtg.-b	NY	8.00	'80	18.5	59.88	+ 9	13
Mtg. Inv. Wash.-b	OC	8.50g	'80	15.0	59.00	+ 7	14
NJB Prime Inv.-c#	OC	7.00	'80	12.9	30.00	- 0	23
Nationwide RE-c	OC	7.00	'91	6.5	65.00	- 0	11
No.Amer. Mtg.-c	NY	5.50	'79	27.8	84.50	+ 2	7
Saul (B.F.)-c	NY	8.50	'80	25.0	86.50	+ 1	10
State Mut. Inv.-b	NYx	9.00	'80	25.0	62.00	+ 3	15
Security Mtg.-#	AS	7.25	'82	50.0	75.25	- 3	10
Security Mtg.-c#	OC	6.00	'82	17.1	50.00	- 0	12
Tri-South Mtg.-b	NY	7.75	'80	25.0	52.50	+ 14	15

Description: a-Senior; b-Senior subordinate; c-Subordinate or junior subordinate. d-Convertible at \$39 till 9/1/78 when price may be adjusted. e-Convertible at \$31 till 12/1/78 when price will be adjusted. f-Variable at 1% over monthly prime. g-Variable rate at 1% over prime in Oct. and April. h-Five series, A-E: 6-7/8, 7-1/8, 7-3/8, two variable; 1987-94. x-Suspended by exchange. #May be used at par to exercise warrants.

EXCH/ SHARE SYMBOL (000)	BOOK VALUE	ANN DIV*	EARNINGS MCN	ANN*	LAST PRICE	% CHNG MCN ACC	FROM-- JAN 1	P/E RATIO	ANN* YIELD	% PR TO EK	RET CN EK	MKT VA (MIL\$)
EQUITY TRUSTS												
API TRUST # C-APITS 1012	11.89	0.40	DEC	0.32	4.25	0.0	13.3	13.3	9.4	-64.3	2.7	4.3
C I REALTY # N-CIX 2609	16.59	0.00	NCV	0.36 ↓	5.63	0.0	21.6	15.6	0.0	-66.1	2.2	14.7
CITIZENS GR# O-CITGS 811	8.01	0.00	OCT	0.00	1.25	25.0	0.0	0.0	0.0	-84.4	0.0	1.0
CON ILL PRO# N-CIE 4808	21.09	1.28 ←	CCT	1.00	16.38	-3.0	-0.7	16.4	7.8	-22.3	4.7	78.8
CONSO CAP # O-CCPLS 1989	21.24	2.02 ←	AUG	2.32	24.00x	2.8	-2.0	10.3	8.4	13.0	10.9	47.7
DENVER REI # O-DENVS 1091	8.78	0.60 ←	SEP	0.80	7.50x	2.0	11.1	9.4	8.0	-14.6	9.1	8.2
FEDERAL RLTY A-FRT 1353	9.66	1.24	DEC	1.16	14.63x	2.1	11.4	12.6	8.5	51.4	12.0	19.8
FIRST UNION# N-FUR 4011	8.48	1.00 ←	JAN	1.16	12.00	0.0	-1.1	10.3	8.3	41.5	13.7	48.1
FLORIDA GLF# O-FGLFS 975	15.67	1.28 ←	JAN	1.28	13.25x	-1.3	17.8	10.4	9.7	-15.4	8.2	12.9
FST FIDELTY# O-FFITS 866	10.65	0.14	NCV	0.24 ↑	3.25	-18.8	8.3	13.5	4.3	-69.5	2.3	2.8
GENERAL GRO# N-GGP 6202	6.14	1.40	DEC	1.44	22.88	0.6	2.8	15.9	6.1	272.6	23.5	141.9
GOULD INVST# A-GTR 1179	6.50	0.10	DEC	0.91	5.00x	9.5	47.9	5.5	2.0	-23.1	14.0	5.9
GHEIT RLTY # A-GRT 998	10.98	0.40	JAN	1.00	6.13	-1.9	-1.9	6.1	6.5	-44.2	9.1	6.1
HUBBARD RFT N-HRE 4004	21.98	1.20	JAN	1.40	15.75x	-2.7	0.0	11.3	7.6	-28.3	6.4	63.1
NEW PLAN RI # O-NPLNS 1399	2.56	0.90	OCT	0.72	9.75x	3.4	8.3	13.5	9.2	280.9	28.1	13.6
PENN REIT # A-PEI 1516	12.03	1.15	NCV	1.56	14.00	6.6	0.0	9.0	8.2	16.4	13.0	21.2
REIT OF AMER A-REI 1633	21.03	1.20	FEB	0.97 ↓	14.75	-1.7	-7.8	15.2	8.1	-29.9	4.6	24.1
SUMMIT PRCP# O-SMMS 1554	7.07	0.00	JAN	0.27	2.50	-9.1	25.0	9.3	0.0	-64.6	3.8	3.9
WASH REIT # A-WRE 1473	10.62	1.76	SEP	1.84	24.38x	-2.2	2.7	13.3	7.2	129.6	17.3	35.9
WISC REI FD# O-WREIS 1514	4.58	0.00	SEP	0.02	2.38	46.0	58.7	119.0	0.0	-48.0	0.4	3.6
GROUP AVERAGE	2050	11.78	0.80	0.94	10.98	0.4	4.2	11.7	7.3	-6.7	8.0	557.7
EQUITY AND MORTGAGE COMBINATION TRUSTS												
AMER REALTY A-ARB 2222	2.80	0.00	DEC	0.09	0.63	43.2	0.0	7.0	0.0	-77.5	3.2	1.4
BANKAM RLTY O-BRLTS 3547	14.82	0.52	JAN	1.18	10.63	-4.5	6.3	9.0	4.9	-28.3	8.0	37.7
BRT RLTY TR A-BRT 1400	5.58	0.00	NCV	0.00	0.94	6.8	6.8	0.0	0.0	-83.2	0.0	1.3
FLATLEY RLT O-FLTIS 1000	6.54	0.00	SEP	0.16	3.00	20.0	0.0	18.8	0.0	-54.1	2.4	3.0
FRANKLIN RLY A-FR 999	7.48	0.00	DEC	0.00	3.88	6.9	19.4	0.0	0.0	-48.1	0.0	3.9
HOTEL INVSTR A-HOT 1545	17.62	1.28	NCV	1.28	12.88	-0.9	2.0	10.1	9.9	-26.9	7.3	19.9
INDIANA M&R# O-INDMS 1154	8.96	0.00	DEC	0.00	2.88	9.5	15.2	0.0	0.0	-67.9	0.0	3.3
INVESTOR FL# A-IRT 1579	10.52	0.00	NCV	0.18 ↑	6.50	8.3	44.4	36.1	0.0	-38.2	1.7	10.3
JMB REALTY# O-JMBRS 510	18.20	1.60	AUG	1.96	14.50	0.0	7.4	7.4	11.0	-20.3	10.8	7.4
LINCOLN MTG* O-LMGS 1155	1.71	0.00	DEC	0.00	0.44	0.0	0.0	0.0	0.0	-74.3	0.0	0.5
MILLER HEN S O-HSMTS 560	16.95	0.60	↑	0.66	9.00x	10.9	20.0	13.6	6.7	-46.9	3.9	5.0
NJB PRIME O-NJB 1280	-4.80	0.00	NCV	0.00	0.38	22.6	40.7	0.0	0.0	NEG.	0.0	0.5
PLAZA REALTY O-PNE 1114	3.51	0.00	SEP	0.00	0.88	0.0	-12.0	0.0	0.0	-74.9	0.0	1.0
PROP TRUST# O-PTRAS 2506	7.72	0.20	SEP	0.50	4.50	5.9	12.5	9.0	4.4	-41.7	6.5	11.3
RIVIERE RLY# O-RIV16 783	8.13	1.00	SEP	1.04	8.88	0.0	4.5	8.5	11.3	9.2	12.8	7.0
RLTY INCOME A-RII 1565	12.70	1.40	CCT	2.27	10.50	6.3	0.0	4.6	13.3	-17.3	17.9	16.4
SAN FRAN RE# A-SFI 1348	19.95	0.60	DEC	1.28	12.38	-7.5	12.5	9.7	4.8	-37.9	6.4	16.7
SAUL (RF)REI N-BFS 5658	6.95	0.00	DEC	0.00	3.75	-6.3	-9.2	0.0	0.0	-46.0	0.0	21.2
US BANKCORP # A-UBT 840	16.47	0.00	NCV	0.00	8.81	6.8	10.1	0.0	0.0	-46.5	0.0	7.4
US REALTY # N-UTY 3434	4.20	0.00	SEP	0.00	3.50	16.7	33.1	0.0	0.0	-16.7	0.0	12.0
VIRGINIA RE# O-VARES 1251	10.02	0.10	SEP	0.88	7.50	0.0	15.4	8.5	1.3	-25.1	8.8	9.4
WALTER RLTY# O-WALJS 1035	10.72	0.00	JAN	0.00	4.25	21.4	30.8	0.0	0.0	-60.4	0.0	4.4
GROUP AVERAGE	1658	9.40	0.33	0.52	5.94	2.8	10.1	11.4	5.6	-36.8	5.6	201.0
SUBORDINATED LAND TRUSTS												
CABOT LAND N-CFT 2952	7.68	0.00	NOV	0.00	3.25	8.3	-10.5	0.0	0.0	-57.7	0.0	9.7
ICM REALTY A-ICM 3011	13.85	0.00	FEB	0.55 ↑	5.00	-11.2	-23.1	9.1	0.0	-63.9	4.0	15.1
PROPERTY CAP A-PCL 2065	13.67	1.20	JAN	1.20	11.38	-3.1	-5.2	9.5	10.5	-16.8	8.8	23.5
GROUP AVERAGE	2689	11.73	0.40	0.58	6.54	-3.7	-11.3	11.2	6.1	-44.2	5.0	48.3
SHORT-TERM MTG-MTG BANKER												
ATICO MTG IN N-ACO 2706	6.92	0.00	JAN	0.00	2.13	0.0	-14.8	0.0	0.0	-69.2	0.0	5.8
BAIRD & WARN# O-BAIDS 1043	16.70	0.96	JAN	0.12 ←	7.50	-3.2	11.1	62.5	12.8	-55.1	0.7	7.8
BARNES MTG O-BARNS 1910	12.89	0.00	DEC	0.00	2.50	0.0	17.4	0.0	0.0	-80.6	0.0	4.8
CENTRAL MTG O-CMRTS 775	12.85	0.00	DEC	0.00	3.50	-12.5	16.7	0.0	0.0	-72.8	0.0	2.7
CCLWELL MTG O-CLM 2030	1.55	0.00	SEP	0.00	0.63	-16.0	-66.5	0.0	0.0	-59.4	0.0	1.3
FIRST CONTAL O-FCRES 2106	10.28	0.88	NCV	0.88	8.38	-2.9	1.6	9.5	10.5	-18.5	8.6	17.6
FRASER MTG I C-FRASS 1038	16.40	1.00	FEB	0.96 ←	10.00	2.6	8.1	10.4	10.0	-39.0	5.9	10.4
GUARDIAN MI N-GMI 3000	-10.37	0.00	NCV	1.48	1.25	-9.4	-9.4	0.8	0.0	NEG.	-14.3	3.8
HEITMAN MTG A-HTM 3252	3.76	0.00	SEP	0.16	1.75	12.2	0.0	10.9	0.0	-53.5	4.3	5.8
JUSTICE MTG N-JMI 1184	-3.41	0.00	DEC	0.00	1.88	0.0	-21.0	0.0	0.0	NEG.	0.0	2.2
KMC MTG IN O-KMTGS 1100	2.22	0.00	NCV	0.00	1.50	-20.2	32.7	0.0	0.0	-32.4	0.0	1.6
LOWAS & NTLN N-LOM 3700	31.62	0.84	DEC	0.84	15.88	-0.8	5.9	18.9	5.3	-49.8	2.7	58.8
M&T MTG INV O-MTMIS 1482	10.25	1.04	FEB	1.04	9.63x	0.1	5.5	9.3	10.8	-6.0	10.1	14.3
MIDLAND MTG N-MMT 2382	1.43	0.00	DEC	0.00	1.56	13.0	4.0	0.0	0.0	9.1	0.0	3.7
NO AMER MTG N-NAM 4403	12.58	0.00	SEP	0.00	4.13	18.0	-15.4	0.0	0.0	-67.2	0.0	18.2
SUTRO MTG IN N-SUT 2322	14.96	0.00	DEC	0.04	6.75	3.8	-5.3	168.8	0.0	-54.9	0.3	15.7
TMC MTG INV O-TMG 800	-6.42	0.00	SEP	0.00	0.19	46.2	-24.0	0.0	0.0	NEG.	0.0	0.2
GROUP AVERAGE	2075	7.89	0.28	0.32	4.66	-0.2	1.1	14.3	6.0	-41.0	4.1	174.5

#NET CASH FLOW, SEE PAGE 6. \*GROSS CASH FLOW. NEG.- NEGATIVE BOOK VALUE. VJ-IN BANKRUPTCY REORGANIZATION.  
 ARROWS DENOTE NEW EARNINGS OR DIVIDEND REPORTS AND DIRECTION. ZEROS INDICATE LOSS OR NO EARNINGS FOR  
 QUARTER SHOWN. EXTRAORDINARY GAINS NOT ANNUALIZED.



	EXCH/ SYMBOL	SHARE (000)	BOOK VALUE	ANN DIV*	EARNINGS MCN	ANN*	LAST PRICE	% CHNG MCN AGC	FROM-- JAN 1	P/E RATIO	ANN* YIFLD	% PR TC BK	RFT CN PK	MKT VA (MIL\$)
SHORT-TERM MTG-INDEPENDENT														
BUILDERS INV	O-BULDS	2929	1.20	0.00	DEC	6.10 ↑	0.50	0.0	31.6	0.1	0.0	-58.3	508.3	1.5
CAPITAL MT	N-CMU	1675	1.00	0.00	DEC	0.00	1.25	0.0	0.0	0.0	0.0	25.0	0.0	2.1
VJCONTNTL MTG	O-CMI	20838	-4.34	0.00	JUN	0.00	0.07	-12.5	133.3	0.0	0.0	NEG.	0.0	1.5
DOMINION M&R	O-DWRTS	639	-7.40	0.00	KCV	0.00	0.63	26.0	384.6	0.0	0.0	NEG.	0.0	0.4
VJFIDELITY MT	O-FID	3046	-18.70	0.00	CCT	0.00	0.31	10.7	72.2	0.0	0.0	NEG.	0.0	0.9
FIRST MTG IN	O-FMTGS	8495	-6.81	0.00	CCT	0.35	0.44	41.9	76.0	1.3	0.0	NEG.	-5.1	3.7
GAT AMER MT	O-GAA	4456	-11.34	0.00	CCT	0.44	0.38	0.0	22.6	0.9	0.0	NEG.	-3.9	1.7
HAMILTON INV	C-HAMTS	2095	6.25	0.00	DEC	0.00	1.38	0.0	-8.0	0.0	0.0	-77.9	0.0	2.9
INSTITUTAL	N-INV	6074	6.58	0.00	OCT	0.00	1.38	-8.0	-26.6	0.0	0.0	-79.0	0.0	8.4
MISSION INV	A-MIT	1812	5.11	0.00	KCV	0.00	1.63	-6.9	0.0	0.0	0.0	-68.1	0.0	3.0
MTG INV WASH	O-MINVS	2146	6.90	0.00	DEC	0.00	2.50	-4.9	0.0	0.0	0.0	-63.8	0.0	5.4
NATIONAL MTG	O-NMF	2353	-0.01	0.00	KCV	0.00	0.38	322.2	100.0	0.0	0.0	NEG.	0.0	0.9
REPUBLIC MT	N-RMI	2107	5.77	0.00	SEP	0.00	1.75	16.7	-12.5	0.0	0.0	-69.7	0.0	3.7
TEXAS 1ST MT	O-TFMRS	1055	7.93	0.00	DEC	0.88	2.38	-20.7	-4.8	2.7	0.0	-70.0	11.1	2.5
TIERCO	O-GSR	1161	3.81	0.00	DEC	0.00	1.25	25.0	290.6	0.0	0.0	-67.2	0.0	1.5
UMET TRUST	N-UAT	2109	3.42	0.00	KCV	0.00	1.50	-14.3	-33.3	0.0	0.0	-56.1	0.0	3.2
WESTERN MT	O-WMTGS	1002	6.76	0.00	KCV	0.00	2.25	28.6	38.0	0.0	0.0	-66.7	0.0	2.3
GROUP AVERAGE		3764	0.36	0.00		0.46	1.18	1.7	5.5	2.6	0.0	225.9	126.8	45.3

SHORT-TERM MTG-COMM BANK														
AMER FLETCHER	A-AFM	1352	3.49	0.00	CCT	0.00	1.63	8.7	-13.2	0.0	0.0	-53.2	0.0	2.2
BARNETT MTG	O-BMT	2174	-7.31	0.00	DEC	0.00	0.44	15.8	-12.0	0.0	0.0	NEG.	0.0	1.0
CAMERON-BROWN	N-CB	2016	9.94	0.00	SEP	0.00	1.63	-6.9	-6.9	0.0	0.0	-83.6	0.0	3.3
CHASE MAN MT	N-CMR	4886	-11.65	0.00	NOV	0.82	2.63	0.0	-16.0	3.2	0.0	NEG.	-7.0	12.9
CITINATL DFV	O-CITIE	600	13.23	0.00	SEP	0.00	4.00	10.2	38.9	0.0	0.0	-69.8	0.0	2.4
CITIZENS MT	O-CZM	1421	-11.32	0.00	SEP	0.00	0.38	0.0	11.8	0.0	0.0	NEG.	0.0	0.5
CITIZENS&SC RL	N-CZS	3829	-7.19	0.00	DEC	1.57	0.38	-72.5	-79.8	0.2	0.0	NEG.	-21.8	1.5
CONT ILL RLY	N-CIR	2797	0.19	0.00	DEC	0.00	2.63	61.3	16.9	0.0	0.0	1284.2	0.0	7.4
FST COMMERCE	O-FCRNS	1008	13.28	0.00	SEP	0.00	4.75	5.6	11.8	0.0	0.0	-64.2	0.0	4.8
FST DENVR MT	O-FDENS	1621	1.25	0.00	SEP	5.13	1.13	28.4	50.7	0.2	0.0	-9.6	410.4	1.8
FST PENN MT	N-FPM	2561	7.10	0.00	JAN	0.00	2.25	16.0	-18.2	0.0	0.0	-68.3	0.0	6.7
FST WISCN MT	O-FWM	1910	5.76	0.00	DEC	0.80	2.38	90.4	58.7	3.0	0.0	-58.7	13.9	4.5
INDEPEND MTG	O-IMTGS	2500	-3.93	0.00	DEC	0.00	0.31	-18.4	-18.4	0.0	0.0	NEG.	0.0	0.8
MARYLAND RLY	C-MDRTS	760	7.91	0.00	KCV	0.11	3.50	7.7	64.3	31.8	0.0	-55.8	1.4	2.7
TRI-SOUTH MT	N-TSI	2260	2.26	0.00	DEC	0.52	1.75	40.0	26.8	3.4	0.0	-22.6	23.0	4.0
WACHOVIA RLY	N-WRI	3335	10.98	0.00	FEB	0.00	4.13	3.2	0.0	0.0	0.0	-62.4	0.0	13.8
WELLS FAR MT	N-WFM	3911	17.19	0.48	DEC	1.08	10.50	-3.5	9.0	9.7	4.6	-38.9	6.3	41.1
GROUP AVERAGE		2314	3.01	0.03		0.59	2.61	6.8	7.0	4.4	1.1	-13.2	19.6	111.1

SHORT-TERM-MISC FINCL														
AMER CENTURY	N-ACT	2607	6.05	0.00	DEC	0.00	2.50	11.1	11.1	0.0	0.0	-58.7	0.0	6.5
BENEF STD MT	N-BSM	1355	1.70	0.00	JAN	0.00	1.62	8.0	-23.9	0.0	0.0	-4.7	0.0	2.2
CI MTG GROUP	N-CI	4812	-0.29	0.00	JAN	0.23 ↑	0.94	6.8	-6.0	4.1	0.0	NEG.	-79.3	4.5
HANOVER SC R	A-HSC	946	10.83	0.00	KCV	0.00	4.75	0.0	-5.0	0.0	0.0	-56.1	0.0	4.5
IDS RLY TR	N-IDR	2409	-17.40	0.00	CCT	0.00	0.63	26.0	0.0	0.0	0.0	NEG.	0.0	1.5
LMI INVSTORS	C-LWN	2009	3.42	0.00	DEC	4.81	1.00	12.6	25.0	0.2	0.0	-70.8	140.6	2.0
MTG TRUST AM	N-MT	3860	12.49	0.00	KCV	0.00	3.75	-6.3	-19.0	0.0	0.0	-70.0	0.0	14.5
NATIONWID RF	O-NRELS	1047	24.02	0.16	DEC	0.20	6.50	4.0	6.0	32.5	2.5	-72.9	0.8	6.8
GROUP AVERAGE		2381	5.10	0.02		0.65	2.71	3.2	-3.9	4.1	0.7	-46.9	12.8	42.5

INTERMEDIATE-TERM MORTGAGES														
ALISON MTG I	O-AMV	2339	0.43	0.00	JAN	14.90 ↑	1.38	84.0	38.0	0.1	0.0	220.9	3465.1	3.2
BARNET-WINST	O-PWITS	1663	0.20	0.00	DEC	0.00	0.13	-65.8	-84.3	0.0	0.0	-35.0	0.0	0.2
DIVERSIFD MI	N-DMG	7327	6.95	0.00	SEP	0.00	1.13	0.0	-24.7	0.0	0.0	-83.7	0.0	8.3
FST VIRGINIA	O-FVM	1208	2.55	0.00	DEC	0.00	0.38	0.0	-5.0	0.0	0.0	-85.1	0.0	0.5
RLTY REFUND	A-RRF	1045	18.45	2.24	JAN	2.24	20.88	8.5	6.4	9.3	10.7	13.2	12.1	21.8
SECURITY MT	A-SMO	6487	5.92	0.00	DEC	0.07	2.50	-9.1	0.0	35.7	0.0	-57.8	1.2	16.2
GROUP AVERAGE		3345	5.75	0.37		2.87	4.40	7.1	2.1	1.5	8.5	-23.5	49.9	50.2

LONG-TERM MTG & EQUITIES														
ATLANTA NATL	O-ATNAS	1260	10.24	0.00	KCV	0.00	3.00	33.3	100.0	0.0	0.0	-70.7	0.0	3.8
BT MTG INVTR	N-BTM	2116	-2.30	0.00	DEC	0.00	2.25	5.6	-10.0	0.0	0.0	NEG.	0.0	4.8
CLEVELAND RL	C-CRIS	2525	10.85	0.00	DEC	0.00	3.00	-4.2	14.1	0.0	0.0	-72.4	0.0	7.6
CON GEN M&R	N-CGM	5715	19.23	1.60	DEC	1.60	18.13	0.0	-5.8	11.3	8.8	-5.7	8.3	103.6
COUSINS M&FO	N-CUZ	3854	1.13	0.00	KCV	0.00	1.50	0.0	-25.0	0.0	0.0	32.7	0.0	5.8
EQUIT LF MTG	N-EC	5605	23.66	2.24	JAN	2.36	23.50	-0.6	-10.9	10.0	9.5	-0.7	10.0	131.7
FIDELCO GROW	A-FGI	1580	12.11	0.00	KCV	0.00	2.75	0.0	10.0	0.0	0.0	-77.3	0.0	4.3
FST MEMPHIS	C-FMENS	1156	4.40	0.00	KCV	0.00	2.25	0.0	38.0	0.0	0.0	-48.9	0.0	2.6
GULF MTG&RLY	N-GMR	2210	5.39	0.00	KCV	0.00	3.13	46.9	39.1	0.0	0.0	-41.9	0.0	6.9
HNC MTG&RLY	O-HNCMS	2388	4.01	0.00	JAN	0.00	1.00	13.6	0.0	0.0	0.0	-75.1	0.0	2.4
HOSPITAL MTG	A-HMG	1178	22.90	0.60	KCV	0.80	8.13	1.6	22.6	10.2	7.4	-64.5	3.5	9.6
MASSMUT MTG	N-MML	4670	19.41	1.16 ↑	JAN	1.16	13.63x	0.3	-3.5	11.8	8.5	-29.8	6.0	63.7
MONEY MTG INV	N-MYM	8840	9.92	0.92	FEB	0.88	10.63	0.0	-7.6	12.1	8.7	7.2	8.9	94.0
MTG GROWTH I	A-MTG	2652	10.99	0.48	FEB	0.20	5.94	5.5	8.0	29.7	8.1	-46.0	1.8	15.8
NOWSTRN FINC	O-NFINS	1510	14.64	0.00	SEP	0.00	3.63	3.7	32.0	0.0	0.0	-75.2	0.0	5.5
NOWSTRN MUTL	N-NML	4758	19.08	1.00	DEC	0.88	12.50	-2.0	-6.6	14.2	8.0	-34.5	4.6	59.5
OLD STONE M	C-OSMRS	813	9.38	0.00	DEC	0.00	7.25	-1.8	9.4	0.0	0.0	-22.7	0.0	5.9
PACIFIC STMA	O-PSMRS	814	11.86	0.60	DEC	0.68	6.50	6.0	15.5	9.6	9.2	-45.2	5.7	5.3
PNE MTG& RI	N-PNI	2437	18.52	0.40	DEC	0.52	8.50	0.0	-8.1	16.3	4.7	-54.1	2.8	20.7
RAM PACIFIC	O-RPACS	1890	18.09	1.12 ↓	FEB	1.00	11.63	1.1	12.0	11.6	9.6	-35.7	5.5	22.0
STATE MUTUAL	N-SMU	2786	-0.63	0.00	DEC	0.00	2.00	38.9	44.9	0.0	0.0	NEG.	0.0	5.6
UNITED RLY	A-URT	3610	17.58	0.72	FEB	0.72	8.38	0.0	-1.4	11.6	8.6	-52.3	4.1	30.3
GROUP AVERAGE		2926	11.84	0.45		0.49	7.24	1.9	1.2	14.7	6.8	-38.9	4.1	611.1

## HOW TO USE COMPARATIVE TRUST STATISTICS

## CONVERTIBLE DEBENTURES

DEBENTURE	EX MAT	INT	CONV	RECENT	YIELD	%
(%)		(%)	AT	PRICE	(%)	CHG
ALISON MTG	CC '91	6.75	27.50	35.00	19.3	16.7
AMER CENTURY	AS '90	7.00	21.00	60.63	11.5	8.3
AMER CENTURY	NY '91	6.75	28.00	63.00	10.7	11.5
AMER REALTY	CC '84	7.00	10.40	30.00	23.3	7.1
BAIRDWARNER	CC '91	6.75	21.00	67.00	10.1	0.0
BANKAMERICA	CC '90	6.75	21.00	88.00	7.7	6.0
HEFF STD MT	AS '91	6.50	27.75	47.50	13.7	-5.0
CAPITAL MTG	CC '91	6.50	33.00	37.00	17.6	5.7
CHASE MANHAT	NY '96	6.50	55.00	48.50	13.4	-10.7
COWELL MTG	CC '91	6.50	29.38	26.00	25.0	-7.1
CONG GENERAL	NY '96	6.00	32.50	75.00	8.0	0.0
CONTINT MTG	CC '90	6.25	19.75	4.75	VJ	-5.0
EQUITY LF M	NY '90	6.75	26.25	91.00	7.4	-2.7
FIDELITY MT	CC '85	7.75	21.25	10.00	VJ	0.0
FIRST FENK M	CC '91	6.75	26.00	47.00	14.4	-6.0
FIRST INTGN	NY '91	7.00	13.00	90.13	7.8	-3.1
FRANKLIN RLY	AS '89	7.00	10.00	70.00	10.0	0.0
GRT AMER MI	CC '91	7.00	35.50	5.00	140.0	-44.4
HANOVER SO R	AS '92	7.25	21.00	67.00	10.8	3.1
HEITMAN MTG	AS '92	7.50	14.70	60.00	12.5	-3.7
HFC MTG	CC '91	6.75	21.00	45.00	15.0	0.0
HOTEL INVSTR	CC '91	7.75	21.00	76.00	10.2	1.3
HOTEL INVTRS	CC '91	7.50	25.25	72.00	10.4	1.4
LINCOLN MTG	CC '90	8.00	11.00	40.00	20.0	0.0
MASSMUT MTG NY	90	6.75	21.00	82.00	8.2	-1.2
MASSMUTUAL M	NY '91	6.25	33.50	74.00	8.4	-2.6
MIDLAND MTG	CC '86	7.00	16.67	39.00	17.9	2.6
MONEY MTG	NY '90	7.00	11.00	55.50	7.3	-1.5
MTG INV WASH	CC '90	8.00	15.00	59.00	13.6	7.3
NATIONAL MTG	CC '91	7.00	12.00	5.00	140.0	0.0
NJP PRIME	CC '91	6.75	21.00	30.00	22.5	0.0
NEWSTRN MUTL	NY '91	6.00	21.00	79.50	7.5	4.6
OLD STONE MT	CC '87	6.88	15.00	74.00	9.3	0.0
PACIFIC	CC '91	6.75	21.00	73.50	9.2	-1.3
REALTY INCOM	AS '91	8.00	18.00	83.00	9.6	-1.2
REPUBLIC MI	NY '90	9.00	19.00	83.13	10.8	2.6
SAUL (RF) RL	CC '91	6.50	23.00	58.00	11.2	3.6
SAUL (RF) RFI	CC '90	8.00	15.50	71.00	11.3	9.2
STATE MUTUAL	AS '91	6.75	21.00	35.00	19.3	9.4
SUTRO MIT	NY '82	6.75	20.00	81.00	8.3	1.2
SUTRO MTG	AS '91	6.75	20.00	71.50	9.4	-0.7
TRI-SOUTH MI	NY '92	7.00	29.50	36.25	19.3	-1.7
US HANCOCK	AS '92	7.00	26.25	72.00	9.7	2.9
US REALTY IN	NY '89	5.75	20.20	58.50	9.8	5.9

These data are designed to facilitate comparison of relative efficiency of real estate investment trust managements with available funds. Readers should note that historical data are used and thus no earnings or dividend projections or estimates are included. Investors are advised to consider carefully the following distinctive characteristics of REITs compared with other industrial or financial securities:

**Annualized Dividend and Yield:** Most REITs do not pay a posted quarterly dividend rate but instead pay their approximate earnings (or net cash flow, if appropriate) for the quarter. They follow this practice because REITs are required to pay at least 90% of earnings to shareholders in order to qualify for exemption from Federal income taxes. This practice means that dividends paid by most REITs will vary much more from quarter to quarter than industrial securities. This possibility for quarterly variations gives REIT shares higher risk because earnings do not provide a safety margin of coverage for the dividend as they do for industrial stocks. The outlook and stability of dividends are thus key factors in our **RELATIVE APPEAL RANKINGS**. The "Annualized Dividend" column is the latest quarterly payout annualized by multiplying by four, and adjusted for any capital gains or other special dividend payments. Special dividends, marked "S", are paid to maintain tax exemption but are not expected to be continued in subsequent quarters. Because of these possible variations, annualized dividends and yield are not to be considered in any way as posted or guaranteed yields.

**Annualized Earnings and Price/Earnings Ratio:** For mortgage trusts, latest quarter earnings are multiplied by four. Zeroes indicate losses or no earnings for the quarter indicated. Losses per share are shown in **RELATIVE APPEAL RANKINGS**. For equity trusts, annualized net cash flow as calculated by Audit Investment Research, Inc. is used in place of earnings as the best single measure of results. Net cash flow is defined as net income plus depreciation minus mortgage amortization. The symbol "\$" indicates cash flow in the earnings column. For a few trusts, gross cash flow (i.e., net income plus depreciation) is used, denoted by "\*". Cash flow derived from amortization of debt discount is denoted by "@". The price/earnings ratio relates current price to the most appropriate earnings result. Both earnings (EPS) and net cash flow (CFS) per share for equity trusts for current periods are shown in **RELATIVE APPEAL RANKINGS**.

**Shares:** The number of shares outstanding, in thousands, is the number issued as of the latest balance sheet and is not adjusted for any potential conversion of debentures or exercise of warrants. Book value per share is essentially net tangible worth per share. The number does not reflect any changes in asset values through appreciation or abnormal depreciation of assets, nor any potential increase from possible conversion of debentures. Realized and estimated investment losses, as determined by management's provision for possible losses, are deducted from book value under ALCPA rules. Audit also deducts intangible debt discount and expense costs from book value.

Trusts are grouped into nine categories under three major groupings to facilitate comparison. The category used for each trust is shown in **RELATIVE APPEAL RANKINGS**. **Equity and combination** groups include **Equity** trusts with over 80% of invested assets in direct ownership of completed income producing properties; **Equity & Mortgage combination** which balance investments between equity ownership and mortgages; and **Subordinated Land** trusts, investing primarily in ownership of land beneath income producing properties and leased to building operators.

**Short-term mortgage** groups invest primarily in mortgages under three years maturity, mainly construction, land development and other interim loans. They are grouped by sponsorship as follows: **Mortgage banker; Independent; Commercial bank; and Miscellaneous financial institutions.**

**Intermediate & long-term mortgage** groups are classed as intermediate-term for those whose predominant holdings mature in three to 10 years; and **long-term** for those with loans maturing in over 10 years, and generally with some equity investments.

## WARRANTS

NAME	EXCH/ SYMPL	EXP DATE	CUT (000)	EXFR PRICE	NC SH	WTS PRICE	STK PRICE	CONV PREM	% CHG	MKT VA (MTL \$)
AMER CENTURY	A-ACTW	6/78	897	23.00	1.0	0.06	2.50	822.4	-53.8	0.1
ATICO MTG IN	A-ACCK	12/79	563	15.00	1.0	0.38	2.13	622.1	22.6	0.2
HARNES MTG	C-BARNW	12/82	1910	20.00	1.0	0.01	2.50	700.4	0.0	0.0
HEFF STD MT	A-BSNW	7/80	554	20.00	1.0	0.38	1.62	1158.0	-13.6	0.2
HET RLY TR	A-BRTW	11/77	1400	10.00	1.0	0.03	0.94	967.0	0.0	0.0
CAPITAL MTG	C-CMCRW	11/79	471	20.00	1.0	0.01	1.25	1500.8	0.0	0.0
DEANER RFTA	C-DEKVS	5/77	177	11.00	1.0	0.06	7.50	47.5	0.0	0.0
FIRST INTGN	C-FURFW	12/77	600	12.75	1.0	0.38	12.00	9.4	0.0	0.2
FLATLEY RLY	C-FLTW	5/77	1000	10.00	1.0	0.25	3.00	241.7	150.0	0.3
JMP REALTY	C-JMPRW	8/77	510	20.00	1.0	0.30	14.50	40.0	0.0	0.2
M&T MTG INV	C-MTWZ	8/80	747	13.00	1.0	0.25	5.63	37.6	0.0	0.2
MISSION INV	A-MITW	12/77	604	16.50	1.0	0.01	1.63	912.9	-66.7	0.0
MTG INV WASH	C-MINW	3/80	931	15.00	1.0	0.19	2.50	507.6	0.0	0.2
NATIONWID RE	C-NRELW	1/81	652	32.00	1.0	0.10	6.50	393.8	0.0	0.1
NORTH AM MTG	A-NAMW	3/75	710	31.13	1.0	0.19	4.13	658.4	-24.0	0.0
NEWSTRN FINC	C-NFTNW	11/78	1510	18.06	1.1	0.03	3.63	398.3	0.0	0.0
PNR MTG RLY	A-PNTW	12/77	1220	20.00	1.0	0.19	8.50	137.5	46.2	0.2
REPUBLIC MI	A-RMTW	6/75	1064	20.00	1.0	0.25	1.75	1057.1	92.3	0.3
RLY REFLND	C-RREFW	6/77	1013	20.00	1.0	0.63	20.68	-1.2	103.2	0.6
SAN FRAN RFI	A-SFTW	12/80	1348	25.00	1.0	1.13	12.38	111.1	0.0	1.5
SECURITY MTG	A-SVCW	5/79	3117	16.00	1.0	0.19	2.50	547.6	-24.0	0.6
SUTRO MIT (P)	A-SUTW	6/82	700	20.00	1.0	0.56	6.75	204.6	0.0	0.4
SUTRO MTG IN	C-SUTW	4/78	299	22.00	1.0	0.06	6.75	226.8	0.0	0.0
UNITED RLY	A-URTW	12/79	3610	20.00	1.0	0.31	8.38	142.4	0.0	1.1
WELLS FARGO	C-WELLW	7/77	3458	20.00	0.5	0.15	10.50	93.3	200.0	0.5

SUTRO "B": AFTER 6/1/77, EXERCISE PRICE \$22 TO 6/1/82 EXPIRATION.  
\*DEBENTURES USABLE IN LIEU OF CASH.



## CHASE MANHATTAN TRUST'S CONTROVERSIAL TENDER OFFER: TAKE THE MONEY

The Chase Manhattan Mortgage & Realty Trust is offering to buy any and all of the \$50 million of its 7-7/8% senior notes at \$800 per \$1,000 principal through March 31. The offer is not likely to be extended and payment will be made April 1. If the full \$50 million isn't tendered by public holders, then the trust will make the same offer to its lending banks, up to the full \$50 million.

That's the first phase of a proposed major debt restructuring by the deeply troubled trust. The offer marks several "firsts:"

--This is the first time holders of senior debt have been asked to take less than par for senior debt. The only other senior debt issue to mature, First Mortgage Investors' 9% senior debentures, is being paid out at par over three years following its maturity Nov. 1, 1975. Interest is current. All other cash tender offers by REITs have been for subordinated debt and the discounts have been deep, ranging from 20¢ to 33¢ on the dollar. Note however that FMI is mulling offering holders of its 8½% senior debentures maturing July 1 the option of taking either 50% of par in cash or stretching payment over five years.

--This the first time senior bank creditors have been asked to take less than par openly. But this only brings practice into line with reality: Most swaps of trust assets for debt reduction by banks have worked out to an average 23% discount, or "hit," to the banks, and the hit to Chase Trust's banks has been about 19%. But if banks take discounts on their Chase loans openly, the way is open for other trusts to seek the same kind of a deal; already troubled IDS Realty Trust is talking discount with its banks. And some bankers are saying the discounted present value of REIT loans may be less than 80% of par now if one assumes it will take five or more years to repay them in full.

--This is the first time a trust has offered a price below the market in any tender. REIT bondholders had come to expect trusts to offer a premium over market to induce them to turn in debt at a discount. Chase Trust officials say they felt the notes were worth only 80% of par and offered that, even though the notes were trading at 87 immediately before the offer. And they haven't fallen below 80½ in trading since, giving some holders a chance to get out above the tender price. Actually, market prices for bonds on the NYSE reflect small transactions; bond market operators say large blocks almost always are traded at discounts from the NYSE market, so the offer of 80 may actually represent the market for large blocks.

Beyond nuances of the offer however, there's the vital question of whether noteholders who don't tender, as well as shareholders, will be left holding investment in a viable trust. Chase Trust's offering circular is explicit on this point: the offering plus a companion swap of an expected \$275 million assets to the banks are expected to strip all but from \$3 to \$15 million of earning loans from the Chase Trust portfolio. If both the tender and the swap go as expected, the trust would be left with about \$338 million invested assets, of which only 5% would be earning income. This is in line with management's announced strategy of using the best assets to raise cash and pay down bank debt while pinning recovery hopes on the very worst properties. At that stage the trust would also have \$108 million loss reserve, debt of \$263 million to both banks and public bondholders, and shareholders' equity of \$4.7 million, or slightly less than \$1 per share.

"Successful implementation of the business plan may not resolve the trust's financial difficulties or otherwise assure the viability of the trust," Chase says in the offering circular. Indeed, it is hard to visualize a trust with almost no earning assets and \$263 million debt surviving at all. But other trusts such as

First Wisconsin Mortgage Trust are already surviving, using cash flow to make modest debt reductions and encouraging banks to carry them with low-interest loans. Since Chase Trust's banks have agreed as part of the package to open talks on a new five-year credit agreement, it's assumed they are willing to carry the trust and have already mentally decided they can do so with the lighter debt load.

The final stage of the Chase Trust's restructuring involves a planned offer to exchange a new issue of convertible debentures for \$84.7 million of three issues of outstanding subordinated debentures: the 7½% subordinated debentures due 1983, the 6-¾% subordinated convertibles of 1990, and the 6½% subordinated convertibles of 1996. That offer won't be made unless all other parts fall into place beforehand, likely by the end of April. Final terms of this exchange haven't been set but the trust says it expects to convert existing market price into principal amount of the new debenture, raise interest to about equal current yield, and give holders a play on CMR common. For instance, the 7½s now trade at about 58½. We'd expect the trust to offer to exchange this for about \$585 principal of the new debenture, which might have a coupon in the 11%-12% range, and perhaps be convertible at 4½-5. If half the holders of the present three issues accepted such an offer, the trust would gain another \$20 million on debt restructuring and book value would move upward to about \$5/share, so the \$5 hypothetical conversion price is not out of line.

Even if this exchange offer succeeds, the trust would still be left with a hard core of problem properties, including the famed Palmas del Mar resort of 2,700 acres about 40 miles southeast of San Juan, Puerto Rico. Chase Trust has sunk about \$80 million, net of about \$10 million condo sales last year, into this luxury resort and while condos are expected to be sold relatively soon, the inventory of high-priced land likely won't move for many years. Other problem projects may move more swiftly: recently the trust sold a problem Detroit office building and reports realistic offers on other properties. So the prospect of a recovery of sorts in three-five years may not be far-fetched, although any portfolio with 20% to 30% of assets in such a difficult project as Palmas del Mar obviously will be a long time recovering.

Our view: Most noteholders should either sell in the market at about 80½ or tender at 80; recovery chances by May 1, 1978, when the notes mature, are just too chancy for most bond investors. And we're aware the senior notes would stand in very strong position in a bankruptcy. The reverse is true for shareholders: they benefit by every repayment of debt at a discount and so have some hope of recovery back to the \$5 range, should everything click. Realistically though CMR never will see the \$60-\$70 prices of its heyday. Thus the shares should be held at this juncture to see how the situation develops.

#### NONEARNING INVESTMENT PERCENTAGE STEADY AS ASSETS SHRINK

Nonearning investments and total assets both continued to shrink last month. As a result, the nonearning portion remained unchanged at 57%, the same level for the past five months. Swaps, consisting of both earning and nonearning assets, account for most of the reduction. Some of the big shifts reported in the last month were the \$102 million drop, including \$80 million swapped, by Citizens & Southern Realty and smaller reductions in the \$10 million range by Builders Investment Group, Chase Manhattan Mortgage and BT Mortgage. The most significant progress was by Maryland Realty which halved its nonearning category to \$7.8 million getting operations back to breakeven. Our monthly tally:

Group	Number	---Invested assets---		%	Month %
		Non-earning	Total		
Short-term mortgage..	59	\$6,887M	\$9,249M	74%	-1.9%
Inter.& long-term mt.	28	1,663	3,920	42	+0.8
Equity & combination.	45	896	3,451	26	+1.5
TOTALS/AVERAGES..	132	\$9,446M	\$16,620M	57%	-1.1%